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MARKETING SPREADS FOR BEEF, PORK, AND LAMB ^{1/}

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In 1964, the second year in a row, sharply increased beef production led to lower beef prices at retail, wholesale, and live levels. The average retail price, wholesale value, and farm value of Choice beef fell last year to their lowest levels since 1957. Beef production in 1964 was up 12 percent from a year earlier.

Retail prices, as usual, decreased less than the farm value of beef cattle. Thus, the farm-retail spread for Choice grade beef continued to widen. The annual average retail price per pound declined to 77.8 cents in 1964, down 3.2 cents from the 1963 average; but the farm value of the equivalent quantity of live beef cattle (2.25 pounds) fell 4.2 cents to 42.4 cents, increasing the farm-retail spread by 1.0 cent (table 3). ^{2/} This is close to the average annual rate of increase of about 1.0 cent between 1954 and 1963. The farm-retail spread for 1964 was a record 35.4 cents per retail pound. It decreased in the first and third quarters but increased in the second and fourth quarters.

The farm-wholesale spread increased 1.9 cents to a record 11.4 cents in 1964, while the wholesale-retail declined 0.9 cent to 24.0 cents. ^{3/} These changes were opposite from those in 1963. In that year the overall farm-retail spread increased 2.7 cents from a year earlier; the farm-wholesale spread decreased 0.6 cent; and the wholesale-retail spread increased 3.3 cents.

The farmer's share of the consumer's

dollar spent for Choice beef declined to 54 cents in 1964 from 58 cents in 1963. This decrease resulted from the combined effect of an increase in the farm-retail spread and decreasing prices.

Although the farm value declined both in 1963 and 1964, the annual average farm value was 8 percent higher in 1964 than in 1956, when it reached its lowest level in the postwar years. The farm-retail spread, however, was 32 percent larger in 1964 than in 1956, and the retail price was up 18 percent.

Pork

Both the annual average retail price for pork (retail cuts and sausage) and the wholesale value decreased for the second year in a row. The net farm value declined for the third successive year. The retail price of 56.4 cents was 0.9 cent lower than in 1963 and was the lowest since 1956 (table 3). The wholesale value remained fairly constant, dropping 0.3 cent to 40.0 cents in 1964--its lowest since 1959. The farm value of 2 pounds of live hog, the live-weight equivalent of 1 pound of pork at retail, averaged 26.6 cents, down from 27.1 cents in 1963, and was at its lowest level since 1959. Pork production in 1964 was up 1 percent from the similar period of 1963.

The farm-retail spread for pork decreased 0.4 cent from 1963 (table 3). The annual average spread of 29.8 cents was the same in 1964 as in 1962.

^{1/} Prepared by Duane Hacklander, agricultural economist, Marketing Economics Division, Economic Research Service, USDA.

^{2/} The farm-retail spread, sometimes called the marketing margin, is the difference between the price per pound the consumer pays for beef, pork, or lamb at retail and net farm value or payment the farmer receives for an equivalent quantity of live animal, less a byproduct allowance. It is a gross return to marketing agencies for transporting, processing, and distributing services required to move live animals from the local market, and to convert them into meat in the retail store.

^{3/} The wholesale-retail spread is the difference between the retail price per pound and wholesale value of the equivalent wholesale quantity. See footnotes 2 and 3 of table 3 for definitions of equivalent wholesale quantity and farm value.

Table 3.--Beef and pork: Retail price, wholesale value, farm value, farm-retail spread, and farmer's share of retail price, annual 1955-64, by quarters 1963-64*

Year and quarter	Retail price	Wholesale	Gross farm	Byproduct allowance	Net farm	Farm-retail spread			Farmer's share
	per pound <u>1/</u>	value <u>2/</u>	value <u>3/</u>	<u>4/</u>	value <u>5/</u>	Total	Wholesale-retail	Farm-wholesale	
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Percent
Beef, (Choice grade)									
1955	67.5	50.8	44.9	3.8	41.1	26.4	16.7	9.7	61
1956	66.0	49.0	42.9	3.8	39.1	26.9	17.0	9.9	59
1957	70.6	52.2	46.5	4.0	42.5	28.1	18.4	9.7	60
1958	81.0	60.3	55.7	4.8	50.9	30.1	20.7	9.4	63
1959	82.8	61.5	56.9	5.4	51.5	31.3	21.3	10.0	62
1960	81.0	58.7	52.7	4.5	48.2	32.8	22.3	10.5	60
1961	79.2	55.8	51.2	4.9	46.3	32.9	23.4	9.5	58
1962	82.4	60.8	55.6	4.9	50.7	31.7	21.6	10.1	62
1963	81.0	56.1	51.1	4.5	46.6	34.4	24.9	9.5	58
1964 <u>6/</u>	77.8	53.8	46.6	4.2	42.4	35.4	24.0	11.4	54
1963									
Jan.-Mar. ...	84.5	58.2	53.6	4.6	49.0	35.5	26.3	9.2	58
Apr.-June ...	79.1	54.6	50.1	4.5	45.6	33.5	24.5	9.0	58
July-Sept. ...	80.4	57.4	52.3	4.5	47.8	32.6	23.0	9.6	59
Oct.-Dec. ...	80.0	54.2	48.3	4.3	44.0	36.0	25.8	10.2	55
1964 <u>6/</u>									
Jan.-Mar. ...	77.5	52.6	47.1	4.1	43.0	34.5	24.9	9.6	55
Apr.-June ...	76.0	51.1	44.5	4.3	40.2	35.8	24.9	10.9	53
July-Sept. ...	78.5	56.4	48.1	4.3	43.8	34.7	22.1	12.6	56
Oct.-Dec. ...	79.3	54.9	46.9	4.2	42.7	36.6	24.4	12.2	54
Pork, (retail cuts and sausage)									
1955	54.1	40.8	31.4	3.7	27.7	26.4	13.3	13.1	51
1956	51.9	38.5	29.4	3.7	25.7	26.2	13.4	12.8	50
1957	60.0	45.1	36.0	4.3	31.7	28.3	14.9	13.4	53
1958	64.5	49.4	39.9	4.5	35.4	29.1	15.1	14.0	55
1959	56.9	39.7	28.9	3.1	25.8	31.1	17.2	13.9	45
1960	56.5	41.5	31.3	3.4	27.9	28.6	15.0	13.6	49
1961	59.0	42.5	33.8	3.9	29.9	29.1	16.5	12.6	51
1962	59.3	42.8	33.1	3.7	29.5	29.8	16.5	13.3	50
1963	57.3	40.3	30.5	3.4	27.1	30.2	17.0	13.2	47
1964 <u>6/</u>	56.4	40.0	30.2	3.6	26.6	29.8	16.4	13.4	47
1963									
Jan.-Mar. ...	57.5	39.3	29.4	3.4	26.0	31.5	18.2	13.3	45
Apr.-June ...	55.3	39.0	29.9	3.4	26.5	28.8	16.3	12.5	48
July-Sept. ...	59.4	43.3	33.7	3.5	30.2	29.2	16.1	13.1	51
Oct.-Dec. ...	56.8	39.7	29.1	3.3	25.8	31.0	17.1	13.9	45
1964 <u>6/</u>									
Jan.-Mar. ...	55.6	38.9	28.8	3.4	25.4	30.2	16.7	13.5	46
Apr.-June ...	54.8	38.7	29.7	3.9	25.8	29.0	16.1	12.9	47
July-Sept. ...	57.9	42.9	32.8	3.6	29.2	28.7	15.0	13.7	50
Oct.-Dec. ...	57.1	39.7	29.7	3.8	25.9	31.2	17.4	13.8	45

1/ Estimated weighted average price of retail cuts.

2/ Beef: Wholesale value of quantity of carcass equivalent to 1 pound of retail cuts--equivalent quantity gradually increased from 1.28 pound for 1955 to 1.35 pound for 1963 and later years; pork: Wholesale value of 1 pound of retail cuts.

3/ Payment to farmer for quantity of live animal equivalent to 1 pound of retail cuts: Beef, equivalent quantity increased from 2.13 pounds for 1955 to 2.25 pounds for 1963 and later years; pork, 2.0 pounds.

4/ Portion of gross farm value attributed to edible and inedible byproducts.

5/ Gross farm value minus byproducts allowance.

6/ Preliminary.

* Revised data-not comparable with data previously published.

The 2 segments of the farm-retail spread reacted as they did for beef. The farm-wholesale spread increased 0.2 cent above 1963, while the wholesale-retail spread decreased 0.6 cent. As in the beef price movements, the opposite reaction occurred between 1962 and 1963. The farm-wholesale spread of 13.4 cents in 1964 was the highest since 1960, while the wholesale-retail spread of 16.4 cents was the lowest since 1960.

The farmer's share of the consumer's dollar spent on pork remained the same in 1964 as in 1963--at 47 cents.

Lamb

Unlike those for beef and pork, the retail price, wholesale value, and net farm value for lamb increased in 1964 (table 4). Lamb and mutton production was down 7 percent from 1963. The retail price increased 2.7 cents to 74.0 cents per retail pound, while the net farm value increased 2.9 cents to 39.5 cents, the third highest farm value in the past

10 years. The wholesale value increased 3.8 cents to 52.5 cents.

The farm-retail spread decreased 0.2 cent to 34.5 in 1964 because of the greater increase in the farm value than in the retail price. The wholesale-retail segments of the spread decreased 1.1 cents, but the farm-wholesale segment increased 0.9 cent.

The farmer's share of the consumer's dollar spent on lamb increased to 53 cents in 1964 from 51 cents in 1963.

During the past 10 years, lamb and mutton production fluctuated significantly from year to year. The farm value and retail price of lamb fluctuated inversely with production, although the farm value showed no upward or downward trend. The farm-retail spread, however, trended definitely upward. Most of the increase in the farm-retail spread occurred in the wholesale-retail segment. The farm-wholesale segment increased only slightly.

Table 4.--Lamb: Retail price, wholesale value, farm value, farm-retail spread, and farmer's share of retail price, annual 1955-1964, by quarters, 1963-1964

Year and quarter	Retail price per pound 1/	Wholesale value 2/	Gross farm value 3/	Byproduct allowance 4/	Net farm value 5/	Farm-retail spread		Farmer's share
						Total	Wholesale-retail	
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Percent
1955	62.9	48.1	43.4	6.9	36.5	26.4	14.8	58
1956	63.6	48.7	43.7	6.9	36.8	26.8	14.9	58
1957	67.3	51.3	46.8	7.2	39.6	27.7	16.0	59
1958	73.3	55.6	49.2	5.9	43.3	30.0	17.7	59
1959	69.4	50.5	44.2	6.6	37.6	31.8	18.9	54
1960	68.5	49.2	42.7	5.9	36.8	31.7	19.3	54
1961	64.7	44.8	37.4	5.0	32.4	32.3	19.9	50
1962	69.5	48.9	41.7	6.2	35.5	34.0	20.6	51
1963	71.3	48.7	42.9	6.3	36.6	34.7	22.6	51
1964 6/	74.0	52.5	46.6	7.1	39.5	34.5	21.5	53
1963								
Jan.-Mar.	71.0	45.9	41.9	6.6	35.3	35.7	25.1	50
Apr.-June	71.7	51.7	44.7	5.9	38.8	32.9	20.0	54
July-Sept.	71.8	50.1	43.8	5.8	38.0	33.8	21.7	53
Oct.-Dec.	70.7	47.0	41.2	7.0	34.2	36.5	23.7	48
1964 6/								
Jan.-Mar.	71.9	47.7	44.0	7.0	37.0	34.9	24.2	51
Apr.-June	72.0	54.1	47.8	7.3	40.5	31.5	17.9	56
July-Sept.	75.7	56.3	48.7	6.6	42.1	33.6	19.4	56
Oct.-Dec.	76.3	51.8	45.8	7.4	38.4	37.9	24.5	50

1/ Estimated weighted average price of retail cuts from Choice grade carcass.

2/ Wholesale value of 1.14 lb. of carcass lamb, the quantity equivalent to 1 lb. of retail cuts.

3/ Payment to farmer for quantity of live lamb equivalent to 1 lb. of retail cuts. The farm-product equivalent varies by months as follows: Jan., 2.34 lb.; Feb., 2.35 lb.; Mar., 2.35 lb.; Apr., 2.33 lb.; May, 2.33 lb.; June, 2.34 lb.; July, 2.36 lb.; Aug., 2.37 lb.; Sept., 2.37 lb.; Oct., 2.38 lb.; Nov., 2.37 lb.; Dec., 2.35 lb.

4/ Portion of gross farm value attributed to edible and inedible byproducts.

5/ Gross farm value minus byproduct allowance.

6/ Preliminary.

